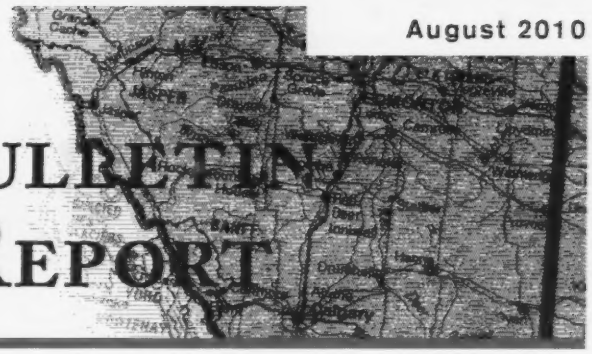
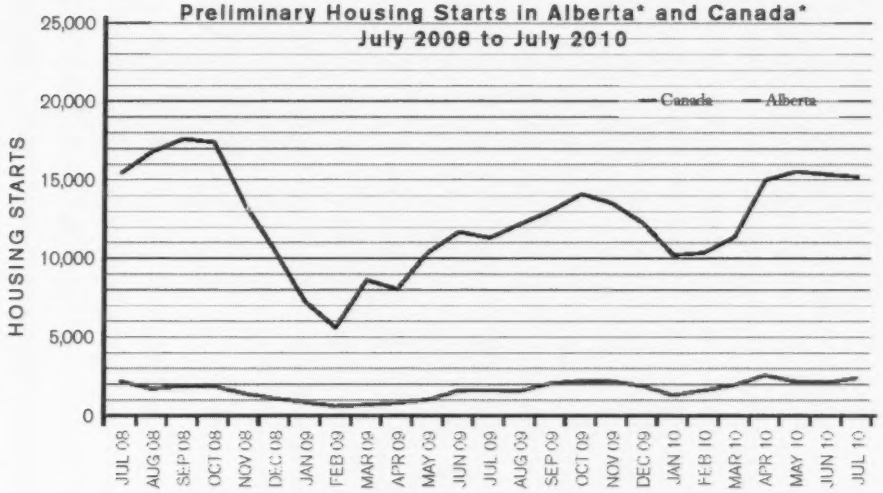


Housing Bulletin Monthly Report

CANADA'S PRELIMINARY HOUSING STARTS slip in JULY



- Canada's total preliminary housing starts for July 2010 were down 1 per cent over June 2010 but were up 34.3 per cent over July 2009. According to Canada Mortgage and Housing Corporation (CMHC), the drop in national housing starts was largely due to a decrease in urban single detached starts.
- According to CMHC, the total number of seasonally adjusted starts across Canada (189,200) was ahead of market expectations, but marked the third consecutive month of declines and the lowest level of home building activity since the start of 2010.
- Alberta's July 2010 total preliminary housing starts increased 13 per cent over June 2010 and 48.2 per cent over July 2009.

* Data reflects centres with a population of 10,000 and over only.
Source: Canada Mortgage and Housing Corporation

ISSUE HIGHLIGHTS

Housing Starts
Edmonton and Calgary multi-family starts up in June 2010.
Page 2

Home Prices
Calgary most attractive city in Canada for real estate investment.
Page 5

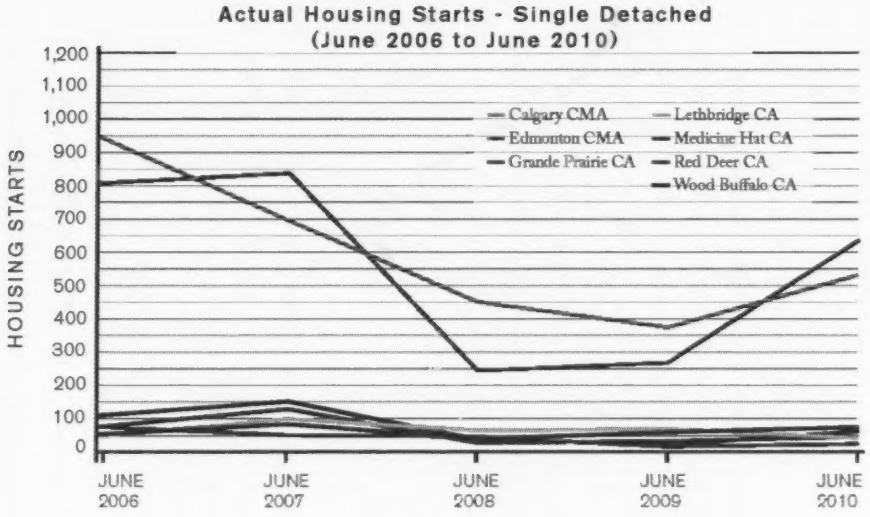
Overnight Lending Rate
Mortgage carrying costs edge higher with recent rate changes.
Page 6

Global housing recovery has cooled after a strong performance in the first quarter of 2010, and Canada has been among those most affected

(CBC NEWS, AUGUST 10, 2010).

10) The malaise in Canada's housing market is deepening as record-low interest rates and a vast supply of homes prove to be insufficient incentives to entice buyers (GLOBE AND MAIL, AUGUST 5, 2010). The ma

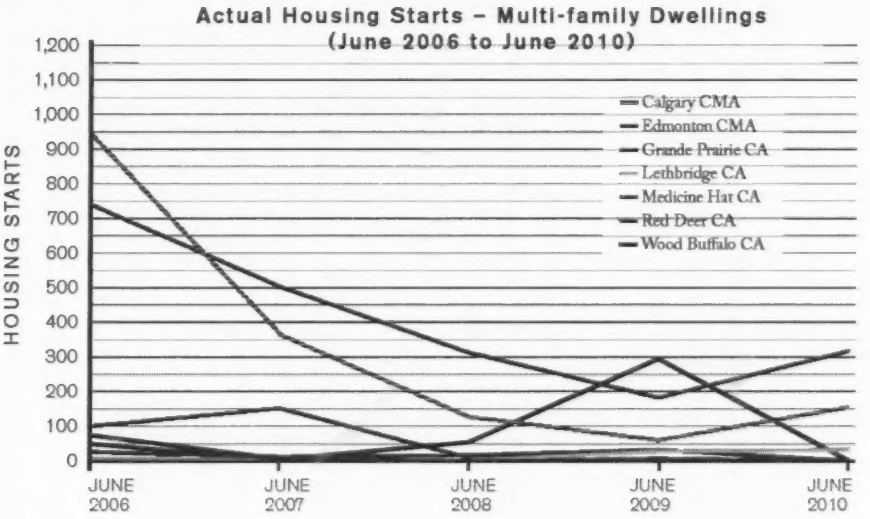
SINGLE-DETACHED STARTS CONTINUE to RISE in ALBERTA



- Across Alberta, single-detached housing starts increased 67.8 per cent from June 2009 to June 2010. Although this is an impressive recovery, construction activity remains 30.9 per cent below the levels seen during the housing construction boom in June 2007.
- From June 2009 to June 2010, housing starts for single-detached homes increased 136.6 per cent in Edmonton and 42 per cent in Calgary.
- Wood Buffalo experienced the largest year-over-year increase in single-family starts from 23 new homes in June 2009 to 62 in June 2010, an increase of 170 per cent.
- A recent report by the Altus Group predicts housing starts will dip 7 per cent in 2011 (*Calgary Herald*, August 12, 2010).

Source: Canada Mortgage and Housing Corporation

MORE MULTI-FAMILY UNITS being BUILT

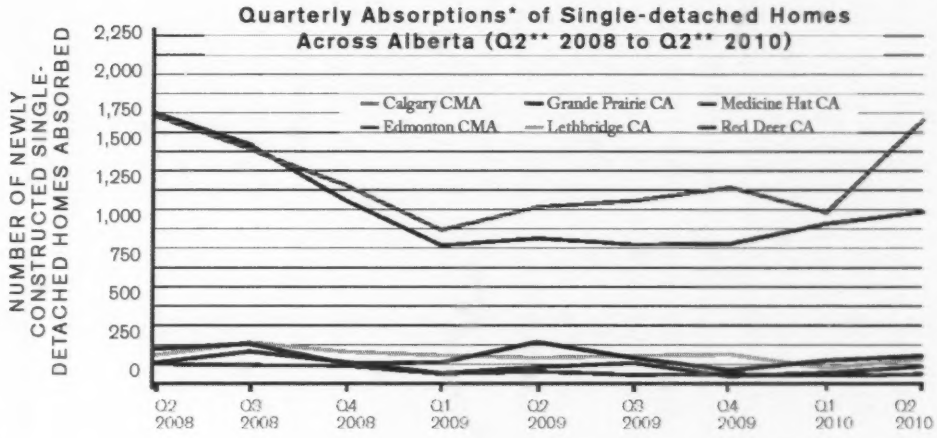


- Overall, construction of multi-family dwellings decreased 15.4 per cent from June 2009 to June 2010 across Alberta's major centres. In contrast, Calgary recorded an increase in multi-family starts, rising from 60 in June 2009 to 154 starts in June 2010, an increase of 156.7 per cent.
- Edmonton also reported a substantial increase in multi-family starts of 73.6 per cent from June 2009 to June 2010.
- Declines in starts were recorded from June 2009 to June 2010 in Grande Prairie (-100 per cent) and Red Deer (-100 per cent).
- The most notable decline in multi-family starts was in Wood Buffalo, where actual housing starts dropped from 294 in June 2009 to just two in June 2010.

Source: Canada Mortgage and Housing Corporation

uly 31, 2010) According to CMHC, Alberta is back on top in terms of detached single-family homes and total housing construction starts per capita (CALGARY HERALD, JULY 31, 2010). According to CMHC, Alber

SUBTLE INCREASE in ABSORPTIONS across ALBERTA as DEMAND PICKS UP



- From Q1** 2010 to Q2** 2010, absorptions of newly constructed homes increased 30 per cent across Alberta with the most notable increases in Red Deer (60 per cent), Lethbridge (57 per cent) and Calgary (54 per cent).
- From Q2** 2008 to Q2** 2010 new home purchases throughout Alberta fluctuated along with the rise and fall in the economy and demand for new housing.
- Medicine Hat experienced the largest drop in absorptions over the Q2** 2008 to Q2** 2010 period (-50 per cent), followed by Edmonton (-37 per cent).

* The term "absorbed" means a newly built housing unit is no longer on the market. This usually occurs when a binding contract is secured between a builder and a qualified purchaser by a non-refundable deposit.

** Q1 = January - March, Q2 = April - June, Q3 = July - September, Q4 = October - December.

Source: Canada Mortgage and Housing Corporation

NEW HOME PRICES HOLDING GROUND

- New home prices continued to stabilize over the past year, with only slight increases. Red Deer and Medicine Hat showed the largest year-over-year price increases at 19.3 per cent and 8.2 per cent, respectively.
- According to a recent report by the Scotia Bank Group, new home prices have largely tracked resale prices in Alberta and Saskatchewan, which are among the only provinces that do not show divergence between prices of new and resale properties.
- From July 2007 to June 2010, the average price of a newly completed home has increased across all of the major centres in Alberta. The largest increases have occurred in Red Deer (55 per cent), Calgary (38 per cent), and Edmonton (37 per cent).

* Data includes centres with a population of 50,000 and over. Wood Buffalo information is not included. Canada Mortgage and Housing Corporation anticipates to include data for Wood Buffalo in 2010, as according to the 2006 Census, this region now meets the population criteria for this report.

Note: Data reflects the average unit price of newly completed and unabsorbed single-detached and semi-detached dwellings.

Source: Canada Mortgage and Housing Corporation

Over the next six months, key economic indicators will continue to bolster consumer confidence to help ensure a fundamentally healthy housing market (CALGARY HERALD, AUGUST 7, 2010). Over th

HIGH RESALE INVENTORIES dampen EDMONTON MARKET

YEAR-TO-YEAR COMPARISON OF HOUSING RESALE ACTIVITY IN EDMONTON IN THE MONTH OF JULY

	AVERAGE PRICE							
	Single-family Dwelling	Condominium	Duplex / Rowhouse	Days on the Market	Residential Listings	Residential Sales	Monthly Sales to Listings Ratio	Average Year to Date Sales to Listings Ratio
Jul 06	$304,805	$188,322	$232,762	20	2,207	1,972	89	91
Jul 07	$415,860	$274,379	$341,680	30	4,548	1,459	32	58
Jul 08	$376,231	$253,206	$321,516	58	3,594	1,761	48	41
Jul 09	$373,294	$243,869	$296,521	47	3,060	2,223	72	58
Jul 10	$378,979	$240,371	$304,032	51	2,955	1,294	43	46

- A home in Edmonton sat on the market for an average of 51 days in July 2010, an increase of 8.5 per cent over July 2009.

Source: Realtors' Association of Edmonton

- The average price of a single-family dwelling in Edmonton increased 1.5 per cent from July 2009 to July 2010. Over the same period, the average price fell 1.4 per cent for a condominium and increased 2.5 per cent in the duplex and rowhouse sector.
- Listings in July 2010 decreased 3.4 per cent over July 2009, and sales were down 41.8 per cent. According to the President of the Realtors' Association of Edmonton, increasing inventory is giving buyers choice. As a result, many buyers are taking their time and prices are beginning to soften slightly. At the same time, some sellers who have been standing firm have been pushed to drop their initial list price.

CALGARY MARKET COOLING

YEAR-TO-YEAR COMPARISON OF HOUSING RESALE ACTIVITY IN CALGARY IN THE MONTH OF JULY

	SINGLE-FAMILY DWELLING					CONDOMINIUM				
	Average Price	Month End Inventory	New Listings Added	Sales	Days on the Market	Average Price	Month End Inventory	New Listings Added	Sales	Days on the Market
Jul 07	$505,920	4,510	2,548	1,495	35	$318,582	1,634	1,117	603	33
Jul 08	$456,380	6,038	2,559	1,313	52	$285,032	2,888	1,183	535	52
Jul 09	$436,782	3,314	2,089	1,585	43	$285,032	1,587	918	702	50
Jul 10	$464,655	5,525	1,942	915	45	$291,168	2,457	890	396	51

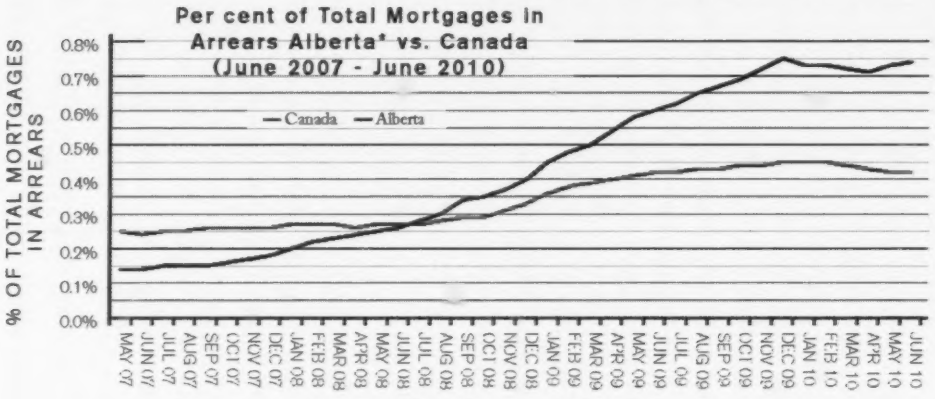
- Condominium sales fell by 43.6 per cent from July 2009 to July 2010. The average price for a condominium in Calgary was $291,168 in July 2010, 2.2 per cent higher than 2009 levels ($285,032) but 8.6 per cent below the peak prices of 2007 ($318,582).

Source: Calgary Real Estate Board

- The number of single-family Calgary homes sold in July 2010 fell 42.3 per cent compared to July 2009, while prices were up 6.4 per cent.
- Listings for single-family homes were down 7 per cent from July 2009 to July 2010 and were down moderately (7 per cent) from June 2010 to July 2010.
- The average price for a single-family home in Calgary in July 2010 was $464,655, well below the 2007 boom when average prices topped at $505,920.

EAL ESTATE BOARD) Calgary's housing market is cooling off after its record-setting pace in the post-recession period (CALGARY REAL ESTATE BOARD). Calgary's housing market is cooling off after

PROPORTION of ALBERTA MORTGAGES in ARREARS edged UPWARD in JUNE 2010



- The Canadian Bankers' Association considers a mortgage to be in arrears when three or more months of payments are overdue.
- As of June 2010, 0.42 per cent of mortgages in Canada were in arrears, keeping in line with the downward trend which began in March 2010.
- In Alberta, 0.75 per cent of mortgages were in arrears as of June 2010.
- Alberta's proportion of mortgages in arrears first moved above the national average in July 2008, and has continued to climb ever since. Despite a slight reprieve in Alberta's mortgage arrears from January to May 2010, recent data indicates a return of the continued upward trend in arrears.
- With the changes to mortgage rules announced earlier in 2010 and recent increases in interest rates, mortgage arrears and loan losses are predicted to fall as there are fewer 'bad loans' approved. According to an analyst at Barclay's Capital, credit quality continues to improve as economic conditions, though challenged, have largely stabilized (Canadian Press, August 22, 2010).

* Data for Northwest Territories and Nunavut are included in Alberta.
Source: Canadian Bankers Association

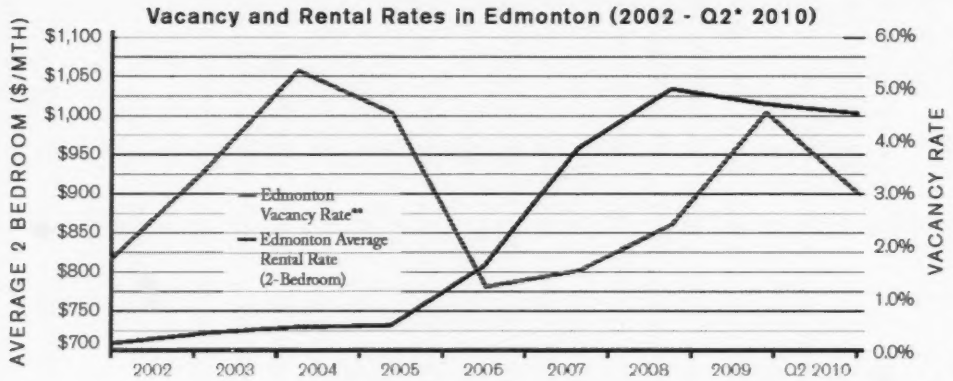
CALGARY RANKED #1 as MOST ATTRACTIVE city in CANADA for LONG-TERM REAL-ESTATE INVESTMENT

- The Real Estate Investment Network (REIN) creates a ranking of top Canadian investment cities by analyzing key economic variables to identify cities and regions with a future long-term real estate investment potential. Of the top eleven Canadian real estate investment cities, Alberta has four cities in the ranking: Calgary (1), Edmonton (3), St. Albert (7) and Red Deer (9).
- The REIN ranked Calgary as the number one city for investment in real-estate, accrediting the adjustment period following the last economic downturn for providing a strong foundation to build upon. According to the REIN, strong in-migration combined with renewed affordability will propel the market in the coming years while remaining in line with healthy market fundamentals.
- Edmonton ranked near the top of the list (in third place) due to the diversity of its economy that will encourage job growth and attract migrants. According to REIN, this will build the foundations for real estate demand, without the frenzy of the last boom, which ended in 2008.

Source: Real Estate Investment Network (REIN)

and renewed affordability (REIN) Calgary is in a unique economic and geographic position to take advantage of strong in-migration and renewed affordability (REIN). Calgary is in a unique economic an

VACANCY RATES INCH LOWER in EDMONTON



- The CMHC's Spring 2010 survey completed in April 2010 recorded a vacancy rate of 5.2 per cent in Edmonton. The CB Richard Ellis (CBRE) July 2010 Market Update report shows the vacancy rate in Edmonton at 2.9 per cent and reports anecdotal evidence that landlords are beginning to eliminate incentives for new tenants.
- According to CBRE's research, the average two-bedroom rent in Edmonton in Q2* 2010 was $1,003, very much in alignment with CMHC's Spring 2010 rental market data, which reported an average rent of $989 for a two-bedroom unit. CBRE expects rental rates to climb in the latter half of 2010.

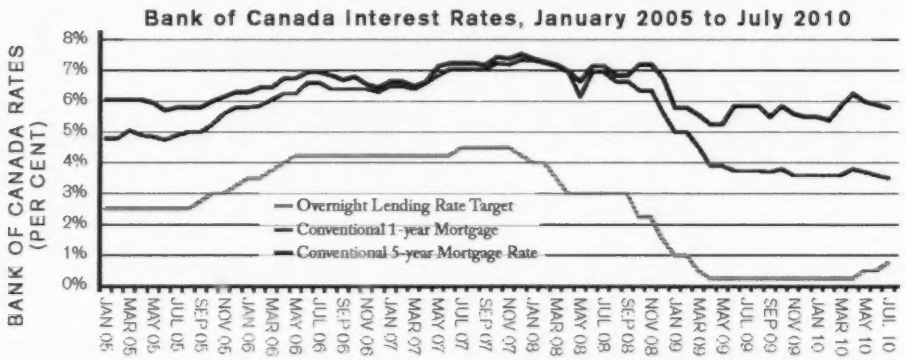
* Q2 = April - June.

** Average vacancy rate for all unit types (i.e., Bachelor, 1-Bedroom, 2-Bedroom and 3-Bedroom+).

*** CBRE's multi-housing market view is based on a survey of 32,000 units in 331 building.

Source: CB Richard Ellis

BANK of CANADA HIKES RATES for SECOND TIME in 2010



- The target for the Overnight Lending Rate is the main tool used by the Bank of Canada to conduct monetary policy. When the Bank changes the target for the Overnight Lending Rate, this change usually affects other interest rates, including mortgage rates and prime rates charged by commercial banks.
- July marked the second time in 2010 that the Bank of Canada raised its target for the Overnight Lending Rate by 0.25 percentage points to 0.75 per cent on July 20, 2010.
- As of August 1, 2010, the advertised 5-year conventional mortgage rate stood at 5.79 per cent, and 1-year mortgage at 3.5 per cent.
- Economists predict the Bank of Canada will raise the rate again by the end of 2010.

Sources: Bank of Canada

2010) Competition among banks for new business along with falling bond yields have meant mortgage rates have been largely unaffected by Bank of Canada moves (GLOBE AND MAIL, AUGUST 5, 2010). Compet